FILED

10-16-17

MICHAEL K. JEANES, Clerk

By Ocumer

Deputy

1

2

3

4

5

6

7

8

9

10

11

12

13 14

15

16

17

18

19 20

21

22

23

2425

26

27

28

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA IN AND FOR THE COUNTY OF MARICOPA

IN RE THE GENERAL ADJUDICATION OF ALL RIGHTS TO USE WATER IN THE GILA RIVER SYSTEM AND SOURCE

No. W-1 (Salt)

No. W-2 (Verde)

No. W-3 (Upper Gila)

No. W-4 (San Pedro)

SPECIAL MASTER'S REPORT:

(CORRECTED) RECOMMENDATION TO GRANT SUMMARY JUDGEMENT AND ENTER A PRELIMINARY

INJUNCTION

HSR INVOLVED: None

DESCRIPTIVE SUMMARY: The Special Master determined that: (1) a strong likelihood exists that objections to the Rogers' and Scheiers' claims for irrigation water rights from the O.K. Ditch for Lots 2 and 3, respectively, of River Ranch Estates located in Section 3, T14N, R4E of the Gila and Salt River Basin and Meridian will succeed in the adjudication on the merits; and, (2) the possibility of irreparable harm exists. This Report, originally filed October 3, 2017, is corrected to eliminate typographical errors; the caption has been revised to identify that this case is part of *In Re the General Adjudication of All Rights to Use Water in the Gila River System and Source*.

NUMBER OF PAGES: 14

DATE REPORT (CORRECTED) FILED: October 16, 2017

In 2004, Salt River Project Water Agricultural Improvement and Power District ("SRP")

filed an Application for an Order to Show Cause and requested a preliminary injunction against six

owners¹ of subdivided lots in the River Ranch Estates located in Section 3, T14N, R4E of the Gila and Salt River Basin and Meridian to enjoin them from diverting water from the O.K. Ditch for irrigation purposes. It asserted that the landowners had no right to the water and the diversion of water caused SRP irreparable harm. During the past 13 years, SRP has litigated or otherwise resolved its disputes with the named River Ranch Estates landowners other than the owners of Lot 2 and Lot 3, the current owners of which are Richard E. and Michele D. Rogers² (collectively "Rogers") and David J. Scheier and Elizabeth G. Latham-Scheier³ (collectively "Scheiers"), respectively.

On May 4, 2017, SRP filed for summary judgment. The Rogers and Scheiers filed their Responses on June 1, 2017. On July 12, 2017, oral argument was held on SRP's motion and on July 29, 2017, SRP supplemented the record to which the Rogers and Scheiers responded on August 10, 2017.

I. Issues Presented

The scope of this case is limited. This is a case for injunctive relief and not an adjudication of water rights. An adjudication will occur when the statutory prerequisites of a general adjudication have been fulfilled. For example, Arizona Department of Water Resources (ADWR) must prepare a technical report that analyzes claimed water rights in the Verde River system and source before the initiation of contested cases to determine specific water rights. A.R.S. §45-256.

Named in the Application were: Kovacovich Investment Ltd. Partnership, Wiertzma Family Trust, Jim and Linda Wyman, Myron Ray and First American Title Trust 4693. In October 2004, SRP substituted Justin J. and Chelise C. Largent, David M. and Diane F. Kober, and Jerry D. and Shawn L. Stryker for First American Title Trust 4693

² In 2011 SRP moved to substitute Fahn Enterprises, Inc. as the successor in interest to Jerry and Shawn Stryker as the owner of Lot 2. In 2012 Richard E. and Michele D. Rogers acquired the property and SRP moved to substitute them into this action as the successors in interest to Fahn Enterprises, Inc.

³ Myron Ray was originally named as a party in the case as the owner of Lot 3 of River Ranch Estates. In 2011, following the sale of Lot 3 to David J. Scheier and Elizabeth G. Latham-Scheier, the court granted SRP's motion to substitute David J. Scheier and Elizabeth G. Latham-Scheier in place of Myron Ray.

Once the statutory requirements have been met and due notice given will the Special Master and the court will take the action necessary to adjudicate the claims for water rights filed by the Rogers and Scheiers with ADWR. A.R.S. §45-257.

This case also does not concern domestic water rights for the Rogers' and Scheier's properties. Domestic water rights are not at issue. According to an Application for a Water Adequacy Report for River Ranch Estates signed by Steve Caughran, groundwater was intended to satisfy the projected water demand for the lots in the River Ranch Estates subdivision. Application dated May 9, 1996, attached as Exhibit A to SRP's Response to the Responsive Statement of Facts of David J. Scheier and Elizabeth G. Latham-Scheier, filed June 29, 2017. On June 28, 1996, ADWR reported that wells on the individual lots would provide water for domestic use for the owners of the lots in River Ranch Estates. *Id.*

Finally, this case does not concern all water to be diverted from the Verde River through the O.K. Ditch to irrigate the Rogers' property. In its supplement to the record in this case, SRP specifically identified that portion of the Rogers' property for which it does not seek to enjoin the use of river water for irrigation purposes. It described that approximately one-half acre of land not at issue as the: "North 206 feet of the West 112.5 feet of said LOT 2, as measured perpendicular to the North and West lines of said LOT 2, containing 0.53 acres of land, more or less." Salt River Project's Supplement to the Record, filed July 31, 2017. Consequently, this case only addresses the Rogers' right to irrigate the remaining 1.08 acres (1.61 – 0.53) of Lot 2. None of the following findings of fact or conclusions of law shall apply to the 0.53 acres of Lot 2 described by SRP. For purposes of simplicity, all further references to Lot 2 shall only pertain to the 1.08 acres remaining outside the land described by SRP.

The issues that must be considered in this case are dictated by the relief requested by SRP. A party seeking a preliminary injunction must demonstrate that a strong likelihood exists that it will prevail on the merits. Thus, SRP must establish that a strong likelihood exists that the Rogers and Scheiers do not have valid claims for irrigation water rights from the O.K. Ditch for Lots 2 and 3, respectively, of River Ranch Estates. In addition, SRP must demonstrate the additional elements

required in an action for a preliminary injunction: the possibility of irreparable injury not remediable by damages if the requested relief is not granted; the balance of hardships favors the moving party; and public policy favors a grant of the injunction. Shoen v. Shoen, 167 Ariz. 58, 63, 804 P.2d 787, 792 (App.1990). "A court applying this standard may apply a "sliding scale." Smith v. Ariz. Citizens Clean Elections Comm'n, 212 Ariz. 407, 410, ¶ 10, 132 P.3d 1187, 1190 (2006). In other words, "the moving party may establish either 1) probable success on the merits and the possibility of irreparable injury; or 2) the presence of serious questions and [that] 'the balance of hardships tip[s] sharply' in favor of the moving party." Id. at 411, ¶ 10, 132 P.3d at 1191 (citing Shoen, 167 Ariz. at 63, 804 P.2d at 792)." Arizona Ass'n of Providers for Persons with Disabilities v. State, 223 Ariz. 6, 12, 219 P.3d 216, 222 (Ct. App. 2009).

II. Standard for Summary Judgment

Based on its contention that no material issues of fact exist in this case, SRP moved forward to prove its entitlement to a preliminary injunction through a motion for summary judgment rather than in an evidentiary hearing. The "court shall grant summary judgment if the moving party shows that there is no genuine dispute as to any material fact and the moving party is entitled to judgment as a matter of law." Rule 56(a), Ariz R. Civ. P. As the moving party, SRP has the burden of showing that no genuine issue of material fact exists. Schwab v. Ames Construction, 207 Ariz. 56,¶ 15, 83 P.3d 56 (App. 2004). Once SRP meets its initial burden, the burden shifts to the Rogers and Scheiers to present sufficient evidence establishing that a genuine dispute exists as to a material fact and "point out ignored or overlooked evidence or explain why the motion should otherwise be denied". Gullett on behalf of Estate of Gullett v. Kindred Nursing Centers W., L.L.C., 241 Ariz. 532, 540–41, 390 P.3d 378, 386–87 (Ct. App. 2017). A motion for summary judgment should not be denied "simply on the speculation that some slight doubt (and few cases have complete certainty), some scintilla of evidence, or some dispute over irrelevant or

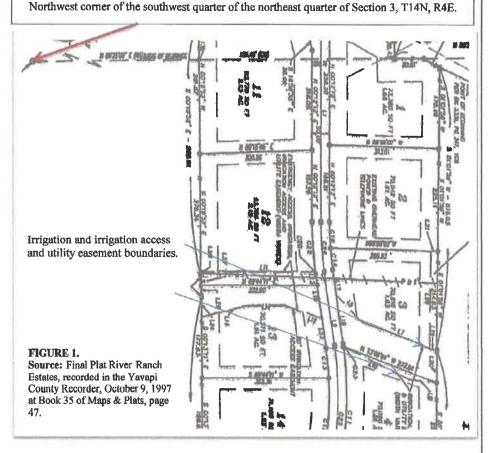
immaterial facts might blossom into a real controversy in the midst of trial." *Orme Sch. v. Reeves*, 166 Ariz. 301, 311, 802 P.2d 1000, 1010 (1990).

III. Claims for Water Rights Appurtenant to Lots 2 and 3

a. Location of Properties

No dispute exists that the Final Plat for the River Ranches Estate provides the correct legal descriptions for Lots 2 and 3. Final Plat River Ranch Estates attached as Exhibit B to Statement of Facts in Support of Salt River Project's Motion for Summary Judgement; Exhibit H to Rogers'

Response dated June 1, 2017; Exhibit A to Scheiers' Objections to SRP's Supplement to the Record, dated August 10, 2017 ("the Final Plat"). As shown in figure the Final Plat illustrates the northern portion of Ranch River the Estates that includes the easement for the



5

28

25

26

27

O.K. Ditch.

Finding of Fact No. 1: The Rogers and Scheiers currently own Lot 2 and Lot 3, respectively, of River Ranch Estates. These lots are located in the southwest quarter of the northeast quarter Section 3, T14N, R4E of the Gila and Salt River Basin and Meridian.

Finding of Fact No. 2: Lot 2 is located north of the O.K. Ditch. The northern border of Lot 3 is north of the O.K. Ditch and the southern border of Lot 3 lies within or on the easement for the O.K. Ditch. *Id*.

b. Claims for Water Rights

Arizona law provides that "[t]he water of all sources, flowing in streams, canyons, ravines or other natural channels, or in definite underground channels, whether perennial or intermittent, flood, waste or surplus water, and of lakes, ponds, and springs on the surface, belong to the public and are subject to appropriation and beneficial use". A.R.S. §45-141(A). Prior to 1919, the two methods to appropriate water required either the posting of notice, a filing with the county recorder and beneficial use of the water or simply applying the water for a beneficial use. Parker v. McIntyre, 47 Ariz. 484, 56 P. 2d 1337 (1936). In 1919 the state adopted a new water code after which time "it was no longer possible to appropriate water under the law of Arizona for the purpose of irrigation by its mere beneficial use for that purpose upon land. Certain formalities were required to initiate and perfect the right." Tattersfield v. Putnam, 45 Ariz. 156, 174, 41 P. 2d 228, 235 (1935).

In its motion, SRP contends that Lots 2 and 3 do not have appurtenant historic water rights arising from pre-1919 appropriation. The Rogers and Scheiers respond that they have rights to water from the O.K. Ditch for irrigation use based on the historic water use appropriated by Preston W. Burford prior to 1919. Scheiers' Response, p. 2, ¶1; Rogers' Response, p. 2, ¶5. They submitted a 1940 report titled "Irrigation on Upper Verde River Watershed from Surface Waters" by T. A. Hayden ("Hayden Report"). Scheiers' Response, p. 2 ¶ 12; Rogers' Response

p. 2, ¶ 5. The Hayden Report and portions of the Hayden Report are attached to the Rogers' Response as Exhibits B and M and to the Scheiers' Response as Exhibit I.

The Hayden Report analyzes the construction dates for the O.K. Ditch and concludes that all priority dates for water use from the ditch predate 1919. The Hayden Report also identifies prior reports that investigated the land using water from the O.K. Ditch as follows:

Phelps survey in 1920 gave 511.4 acres, including 36 acres above the ditch to which water pumped.

I found no change in 1925.

In 1940 I found some of the old pumped area abandoned and other land substituted but very little material change in the aggregate.

The larger areas given in some of the earlier reports must be taken as estimates only, since the physical conditions – river bottom on one side and steep land on the other - limit the area to that shown on the actual surveyed by Latimer, Phelps and later by the U.S. Bureau of Reclamation in 1934, as checked by me and given by the tabulation following.

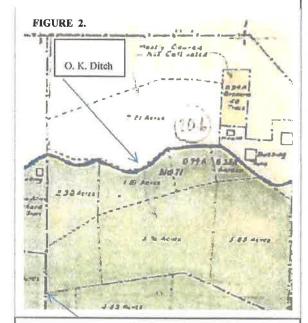
Hayden Report, Sheet 1 of 3.

The tabulation referenced above includes a list of legal descriptions of irrigated land located in six separate sections, the source of the irrigation water, the date the land was first cultivated, and the name and date associated with any recorded filings. As accurately highlighted by Rogers, the tabulation includes an entry by P.W. Burford for water for irrigation use in the southwest quarter of the northeast quarter of Section 3, T14N, R4E. According to the table, P.W. Burford appropriated water for irrigation use beginning in 1873 for 20.6 acres in the southwest quarter of the northeast quarter of Section 3, T14N, R4E. The accuracy of this entry is not disputed by SRP. Instead, it argues that the entry does not prove that the land now known as Lots 2 and 3 received water for irrigation purposes diverted from the O.K. Ditch.

The Rogers assert that to the contrary the entry demonstrates that their property has historical water rights because "P.W. Burford filed the entire 20.6 acres for irrigation". Rogers' Response, p. 2, ¶ 9. Mr. Burford's claim to irrigate 20.6 acres in the southwest quarter of the northeast quarter of Section 3 means that he irrigated approximate one half of the land in the southwest quarter of the northeast quarter of Section 3. Judicial notice is appropriately taken of the fact that a section contains 640 acres, a quarter section contain 160 acres, and a quarter section of a quarter section contains 40 acres. State v. McGuire, 124 Ariz. 64, 66, 601 P.2d 1348, 1349 (Ct. App. 1978) ("to be judicially noticed, a fact must be . . . capable of immediate accurate demonstration by reference to recognized writings or other sources of proof."). The right to the use of water for irrigation is not a floating right; it must be appurtenant to a particular piece of land. Tattersfield v. Putnam, 45 Ariz. 156, 41 P. 2d 228 (1935). Gillespie Land & Irr. Co., v. Buckeye Irr. Co., 75 Ariz. 377, 257 P. 2d 393 (1953); Salt River Valley Water User's Ass'n v. Kovacovich, 3 Ariz. App. 28, 411 P.2d 201 (1966). Thus, the factual issue at issue is whether the 1.61 and 1.63 acre lots owned by the Rogers and Scheiers, respectively, are located within the 20.6 acre portion

of the 40 acres of the southwest quarter of the northeast quarter of section 3 that P.W. Burford historically irrigated.

In support of its position that Lots 2 and 3 were not historically irrigated, SRP submitted the 1920 Harlow D. Phelps Survey and Map ("Phelps Survey"), a portion of which is shown as *figure 2*. The Phelps Survey marks the northwest, southwest, and southeast corners of Section 3.



Southwest corner of the southwest quarter of the northeast quarter of Section 3, T14N, R4E

The symbol "+" used on the Phelps Survey marks the midpoint of the western and southern borders of Section 3. As a result, the southwest quarter of the northeast quarter of Section 3 can be identified on the Phelps Survey. The notation "20.6," consistent with the Hayden Report, can be found in the southwest quarter of the northeast quarter of Section 3. The Phelps Survey shows almost all of the land located in the southwest quarter of the northeast quarter Section 3 south of the O.K. Ditch divided into parcels and labelled by number of acres. See figure 2. To the north of the O.K. Ditch, the Phelps Survey contains the comment "Mostly cleared – not cultivated," with arrows pointing to a 7.21 acre parcel and a rectangular .094 acre area identified as an orchard. The Phelps Survey also shows a drawing of three squares in an area bounded on the south by the O.K. Ditch shown by a bold line moving southeast and bounded on the north by a dashed property line also angled to the southeast. The roughly parallel lines of the property boundary and the O.K. Ditch can also be seen on the Final Plat shown in Figure 1.

The Phelps Survey identified the owner of the land in the southwest quarter of the northeast quarter of Section 3 as C.B. Coulson. A 1921 diagram referred to as "Field Notes" classifies the land use of the property at issue by type of crop grown according to the sworn affidavit of Gregory Kornumph submitted by SRP. Statement of Facts In Support of Salt River Project's Motion for Summary Judgment, Exhibit 1. The Field Notes show all land south of the O.K. Ditch and north of the Verde River as under cultivation. It also identifies an orchard north of the O.K. Ditch which is estimated as 1 acre in size. Unlike the Phelps Survey that reported the northeastern portion of the land north of the O.K. Ditch as not cultivated, the Field Notes indicate that three acres were planted in milo, a drought resistant grain sorghum. Webster's New Collegiate Dictionary 731 (1973). Relevant to this case, the Field Notes, like the Phelps Survey, show all land east and south of the orchard and north of the O.K. Ditch as "Idle Ground". In that area the Field Notes include two

squares identified as houses and a third square to the east of houses as a barn. Statement of Facts in Support of Salt River Project's Motion for Summary Judgment, Exhibit 1.

The Rogers and Scheiers challenge the Phelps Survey on the grounds that it is only a "snapshot it time". Rogers' Response, p. 2, ¶ 9; Scheiers' Response, p. 2, ¶ 3. While it is true that a survey should only reflect the facts existing at the time it was prepared, the Phelps Survey as it pertains to the description of the land used for the area now included in Lots 2 and 3 is not inconsistent with historical records or contemporary records. The P.W. Butrell claim establishes that approximately one half of the southwest quarter of the northeast quarter was not irrigated. The 1921 Field Notes show more of the land in that quarter quarter section irrigated than claimed by P.W. Butrell or shown in the Phelps Survey, i.e., the three acres of milo, but it also labels the land at issue as not cultivated. The 1940 Hayden Report confirms the accuracy of the Phelps Survey as of 1925.

The Rogers also argue that the absence of crops does not equate to the absence of water rights for irrigation use. Speculation that the land immediately under and surrounding the historic homesites and barn was irrigated is not sufficient to create a disputed material issue of fact. *Orme Sch. v. Reeves*, 166 Ariz. at 311, 802 P.2d at 1010. In summary, no evidence has been submitted by the Rogers or Scheiers to demonstrate that prior to 1919, the entire southwest quarter of the northeast quarter of section 3 was irrigated or more relevantly, that any irrigation occurred in the areas immediately surrounding the living areas or the barn or east of the orchard.

Thus, the sole historically irrigated area that affects Lots 2 and 3 is the historic orchard consisting of 0.94 acre, according to the Phelps Survey, or 1 acre, according to the Field Notes. Rogers contends that the Phelps Survey is not sufficiently accurate to determine the location of the orchard vis-a-vis the 1.63 acres included in Lot 2. Based on its supplement, SRP used its best efforts to make such a determination and concluded that Lot 2 covered .053 acres of the orchard.

Rogers does not provide any evidence or documents that support a conclusion that a greater amount of the orchard area should be allocated to Lot 2 rather than to a neighboring lot. The Scheiers do not contend that Lot 3 includes any portion of the orchard. Instead, they contest SRP's description of the southern boundary of their property. According to the Final Plat, the southern boundary of Lot 3 does not extend south of the easement for the O.K. Ditch.

Conclusion of Law No. 1. A strong likelihood exists that objections to claims for historic water rights to divert water from the O.K. Ditch for irrigation of Lots 2 and 3 will succeed.

c. Water Rights Based on a Permit or a Severance and Transfer

In its motion, SRP further argues that the Rogers and Scheiers have not acquired any water rights for irrigation water from the O.K. Ditch after 1919. It attached an affidavit of Gregory S. Kornrumph, the Manager of Water Rights for SRP, in support of its position. Mr. Kornrumph avows that based upon "a search of the records maintained by ADWR, neither Defendants nor their predecessors in interests have applied for an appropriative water right after 1919 or been the recipient of a severance and transfer of a valid water right from any other appropriator." Kornrumph Affidavit, dated May 1, 2017, attached as Exhibit 1 to Statement of Facts in Support of Salt River Project's Motion for Summary Judgment (Kornrumph Affidavit). While conclusory statements will not suffice, the moving party, i.e., SRP, need not affirmatively establish negative of element. **Orme Sch. v. Reeves, supra.**

Given their consistent positions that they are entitled to historic water rights, it is not clear whether the Rogers and the Scheiers claim that they or their predecessors in interest acquired post-1919 water rights.⁴ In their Responses, the Rogers and Scheiers cite to and attach a Statement of

⁴ The copy of the second amendment of Statement of Claimant 39-141335 submitted by the Rogers only identified pre-1919 appropriation rights as the basis of their claim to access water from the O.K. Ditch.

Claim filed by the O.K. Ditch Company, a Statement of Claimant signed by L.C. Caughran, a predecessor in interest, and attach an affidavit from the manager of the developer of River Ranch Estates concerning his intentions concerning the use of surface water appurtenant to the subdivided land.

<u>Conclusion of Law No. 2.</u> Statements of Claim and Statements of Claimants are claims for water rights; they are not permits issued by the State to appropriate water.

<u>Conclusion of Law No. 3.</u> The developer's affidavit regarding the intended allocation of water rights does not constitute a valid severance and transfer of water rights.

Conclusion of Law No. 4. The Rogers and Scheiers have not produced documents that constitute a permit for water use or demonstrated the existence of a valid severance and transfer of water rights from other land pursuant to A.R.S. §45-172.

IV. Possibility of Irreparable Harm

In its Statement of Facts, SRP alleges it and its shareholders are incurring damage due to the landowners' diversion and use of water from the Verde River System. Statement of Facts in Support of Salt River Project's Motion for Summary Judgment, p. 2, ¶1. It submitted aerial photographs taken in 2007 and on May 25, 2011 to show that Lot 2 and Lot 3 had received irrigation water. It also attached the Kornrumph Affidavit stating that the properties had "been receiving water for irrigation purposes in recent times". *Id. at* Exhibit 1, p. 3, ¶ 9. Neither the Rogers nor the Scheiers argue that a taking of the water would not cause irreparable harm. Instead, the Rogers state that they acquired Lot 12 in February 2012 and they have not irrigated their land with water from the O.K. Ditch. Rogers' Response, p. 2-3, ¶¶ 1, 12. The Scheiers state that they acquired their property in 2011 and, at least implied, that they have not used the contested water

for irrigation. Scheiers' Response, p. 2, ¶4. No evidence was submitted by SRP to demonstrate that either the Rogers or the Scheiers had diverted water from the O.K. Ditch.

The reason for the absence of diversion in each case appears to arise out of the pendency of this case. The Scheiers state that "[i]t is now been over five year we have been denied our use to ditch water". Scheiers' Response, p. 2, ¶4. Similarly, the Rogers cite this case as the reason for not having used water from the O.K. Ditch: "We have not been using water from the O.K. Ditch for any purpose due to being denied ditch water because of the cease and desist order." Rogers' Response, p. 1.

Finding of Fact No. 3: The Rogers and Scheiers are not using water from the O.K. Ditch as a result of SRP's action to obtain a preliminary injunction.

At oral argument, SRP represented that it would be would terminate this action upon receipt of an agreement from the Rogers and the Scheiers that they will not use water from the O.K. Ditch until their water rights are adjudicated. Such as agreement should not affect the Rogers' diversion of water from the O.K. Ditch to irrigate the 0.53 acre of land that SRP expressly stated is not part of this action.

Given that SRP must only show a possibility of harm where there is a substantial likelihood of success on the merits, it is recommended that in the absence of an agreement from the Rogers and Scheiers not to divert water from the O.K. Ditch until their water rights are adjudicated, the court adopt the Findings of Fact and Conclusions of Law set forth above, grant SRP's Motion for Summary Judgment and grant the relief requested in accordance with the provisions of Rule 65, Ariz. R. Civ. P.

Although SRP's action to obtain a preliminary injunction has been pending during the entire period that the Rogers have owned Lot 2, a cease and desist order has not been issued against them in this case.

It is further recommended that no injunction should be issued against the Rogers to prevent the Rogers from diverting water from the O.K. Ditch to irrigate that 0.53 acre of land described on page 3 of this Report.

V. Objections

Objections to the Special Master's Report dated October 3, 2017, shall be due on or by December 4, 2017. Responses shall be filed by January 3, 2018. No replies shall be filed.

Susan Ward Harris Special Master

On October 3, 2017, the original of the foregoing was mailed to the Clerk of the Maricopa County Superior Court for filing and distributing a copy to all persons listed on the Court approved mailing list for the Applications of the Salt River Project.